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August 07, 2008

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AUG -7 2008

Mr. Jeffrey T. Daniels
Authorized Representative
Utility Systems, LLC dba Gardner Water Company
HC2 Box 164-H
Payson, Arizona 85541

DOCKETED BY	<i>mn</i>
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RE: UTILITY SYSTEMS, L.L.C. dba GARDNER WATER COMPANY - APPLICATION
FOR A RATE INCREASE, DOCKET NO. W-20459A-08-0167

THIRD LETTER OF DEFICIENCY

Dear Mr. Daniels:

In reference to your rate application received on March 21, 2008, this letter (per section R14-2-103.B.7 of the Arizona Administrative Code) is to inform you that your application has not met the sufficiency requirements as outlined in Arizona Administrative Code R14-2-103.

Staff previously found that your application was deficient on April, 17 2008, and June 18, 2008. The Company submitted information in response to those letters. The information submitted did not sufficiently or completely address one of the deficiencies. The continued deficiency is listed on a separate attachment. The 30-day sufficiency determination period will begin anew when the Company corrects the deficiency and Docket Control receives an original and sixteen copies of the corrected pages.

You have 15 calendar days, or until July 3, 2008, to correct the deficiency or make other arrangements with Staff to remedy your rate application. If the correction or other arrangements are not made by the above date, Staff will request your docket number be administratively closed. Docket Control will retain one copy of the original application for Commission records. You may file an original and sixteen copies of an updated application at a later date.

Mr. Jeffrey T. Daniels
August 07, 2008
Page 2

The Staff person assigned to your application is Darak R. Eaddy. He can be reached at (602) 542-0855, or toll free at (800) 222-7000, if you have any questions or concerns.

Sincerely,



Elijah Abinah
Assistant Director / Acting Chief Accountant
Financial & Regulatory Analysis Section
Utilities Division

EOA:DRE:kdh

CC: Docket Control Center (fifteen copies)
Lyn Farmer, Hearing Division
Delbert Smith, Engineering
Consumer Services
Legal Division

Utility Systems LLC dba Gardner Water Company
Rate Application
Docket No. W-20459A-08-0167
Test Year Ended December 31, 2007
List of Deficiencies

The specific items that have caused a finding of deficiency are as follows:

1. The bill counts do not produce the revenue of \$ 30,201 as indicated on page 19 of the application. The Company's submitted revenues still varies to a significant degree from Staff's computation based on the Company's submitted bill count for the test year. Please correct.

In addition to the above items, the below items are not sufficiency issues. However these are issues and/or questions that will need to be address before the final processing of the application. Staff is including these to give the Company additional time and flexibility in addressing these issues.

- Please describe in detail any operating or administrative facilities and vehicles that the Company shares with other entities. Please also provide the basis for allocating costs between the entities and Gardner Water Company.
- For allocated expenses included in the revenue requirement, please provide the following:
 - a. The account name and number
 - b. Total expense to be allocated
 - c. Supporting documentation for the total expense that is to be allocated
 - d. Total allocated to each company
 - e. The basis for allocation
- Please describe in detail the Outside Service expense Pioneer Title – Lenzion – GWC listed on the account quickreport for Outside Services submitted by the Company on July 9, 2008.
- Please describe in detail any personal usage of Company vehicles listed in account 341.
- Please provide invoices for Account 675 Miscellaneous Expense in excess of \$150 incurred during the test year.